



## **FEDERAL RESERVE SYSTEM**

### **Proposed Agency Information Collection Activities; Comment Request**

**AGENCY:** Board of Governors of the Federal Reserve System

**ACTION:** Notice, request for comment.

**SUMMARY:** The Board of Governors of the Federal Reserve System (Board or Federal Reserve) invites comment on a proposal to extend for three years, with revision, the voluntary Survey of Terms of Lending (STL; FR 2028; OMB No. 7100-0061). **DATES:** Comments must be submitted on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** You may submit comments, identified by *FR 2028A*, *FR 2028B*, *FR 2028S*, or *FR 2028D*, by any of the following methods:

- Agency Website: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include OMB number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Robert deV. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20<sup>th</sup> Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available from the Board's website at

<http://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or

contact information. Public comments may also be viewed electronically or in paper form in Room 3515, 1801 K Street (between 18<sup>th</sup> and 19<sup>th</sup> Streets NW) Washington, DC 20006 between 9:00 a.m. and 5:00 p.m. on weekdays.

Additionally, commenters may send a copy of their comments to the OMB Desk Officer – Shagufta Ahmed – Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235 725 17<sup>th</sup> Street, NW, Washington, DC 20503 or by fax to (202) 395-6974.

**FOR FURTHER INFORMATION CONTACT:** A copy of the PRA OMB submission, including the proposed reporting form and instructions, supporting statement, and other documentation will be placed into OMB’s public docket files, once approved. These documents will also be made available on the Federal Reserve Board’s public website at:

<http://www.federalreserve.gov/apps/reportforms/review.aspx> or may be requested from the agency clearance officer, whose name appears below.

Federal Reserve Board Clearance Officer – Nuha Elmaghrabi – Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829.

Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

**SUPPLEMENTARY INFORMATION:**

On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board authority under the Paperwork Reduction Act (PRA) to approve of and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board. In exercising this delegated authority, the Board is directed to take every reasonable step

to solicit comment. In determining whether to approve a collection of information, the Board will consider all comments received from the public and other agencies.

**Request for comment on information collection proposal**

The Board invites public comment on the following information collection, which is being reviewed under authority delegated by the OMB under the PRA. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility;
- b. The accuracy of the Federal Reserve's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- e. Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the Federal Reserve should modify the proposed revisions prior to giving final approval.

**Proposal to approve under OMB delegated authority the extension for three years, with revision, of the following report:**

*Report title:* Survey of Small Business and Farm Lending.

*Agency form number:* FR 2028B, FR 2028D, and FR 2028S.

*OMB control number:* 7100-0061.

*Frequency:* Quarterly.

*Respondents:* Commercial banks.

*Estimated number of respondents:* FR 2028B - 250; FR 2028D - 398; and FR 2028S - 250.

*Estimated average hours per response:* FR 2028B - 1.4 hours; FR 2028D - 1.5 hours; FR 2028D (First Time only) - 1.5 hours; and FR 2028S - 0.1 hours.

*Estimated annual burden hours:* 4,485 hours.

*General Description of Report:* The STL collects unique information concerning price and certain nonprice terms of loans made to businesses and farmers during the first full business week of the mid-month of each quarter (February, May, August, and November). The FR 2028A and FR 2028B collect detailed data on individual loans made during the survey week, and the FR 2028S collects the prime interest rate for each day of the survey from both FR 2028A and FR 2028B respondents. From these sample STL data, estimates of the terms of business loans and farm loans extended during the reporting week are constructed. The aggregate estimates for business loans are published in the quarterly E.2 statistical release, *Survey of Terms of Business Lending*, and aggregate estimates for farm loans are published in the E.15 statistical release, *Agricultural Finance Databook*..

*Proposed revisions:* The Federal Reserve proposes to (1) discontinue the FR 2028A, (2) create a new Small Business Lending Survey (FR 2028D) that would provide focused and enhanced information on small business lending including rates, terms, credit availability, and reasons for their changes (in contrast to the individual loan data collected on the FR 2028A, the FR 2028D would collect quarterly average quantitative data on terms of small business loans and qualitative information on changes and the reasons for changes in the terms of lending), and (3) the STL

would be renamed the Survey of Small Business and Farm Lending (SSBFL) to more accurately describe the data collection. No changes are proposed to the FR 2028B and FR 2028S. The proposed final data collection for the FR 2028A would be for the May 2017 survey week, and the proposed first data collection for the FR 2028D would be in November 2017 for the September 30, 2017, as of date.

### **Survey of Terms of Business Lending (FR 2028A)**

The survey data are used to assess conditions and to track developments in business credit markets. For instance, during the credit market turmoil that began in the second half of 2007 and early 2008, STL data showed a smaller increase in the spread of loan rates over banks' cost of funds than other indicators of business loan pricing suggested. Moreover, information about the date on which commitments were finalized or renewed has been important in understanding how loan rates evolved during the crisis, as it allowed the Federal Reserve to study the terms on new loan commitments separately from commitments written prior to the crisis. More broadly, the survey data have been useful for monitoring the changing role of the prime rate as a benchmark for business loan pricing and of shifts in the mix of fixed-rate and variable-rate lending as financial markets have changed. The STL microdata are not available to researchers outside the Federal Reserve, but have been used in a number of research papers.

The FR 2028A data have limitations for assessing conditions and analyzing developments in nonfarm business credit markets. For example, it was noted in the memorandum for renewing the STL in June 2015 that "The STL is an important source of individual loan data used by those concerned with lending to small businesses, for which banks are one of the primary sources of credit."<sup>1</sup> However, the data were insufficient for addressing

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<sup>1</sup> See page 3 of the June 2015 OMB Supporting Statement for the FR 2028 at [http://www.reginfo.gov/public/do/PRAViewDocument?ref\\_nbr=201505-7100-002](http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=201505-7100-002).

questions about small business lending during the financial crisis, ensuing recession, or economic recovery. For example, the data could not answer questions on whether changes in the flow of credit to small businesses were due to supply issues, such as changes in bank lending standards or terms, or demand issues, such as changes in application rates, or both. Additionally, the FR 2028A data could not be used to answer questions regarding changes in the credit quality of applicants or identify potential underlying factors for observed changes in credit quality. For reasons such as these, the June 2015 memorandum stated “The Federal Reserve is seeking alternative sources of detailed, disaggregated data on small business loans, but there are currently none available. Should a better source for this type of data become available, the Federal Reserve may revisit the need for this survey.”

The Federal Reserve System has conducted a study of alternative small business loan data sources to assess their usefulness for addressing policy questions on small business credit. The study identified and conducted an extensive analysis of 35 existing small business lending data collections and potentially new data collections. The data collections considered included, among others, data collected by the Board of Governors, private sector surveys such as the National Federation of Independent Business member survey, and a Dodd-Frank Act mandated data collection by the Consumer Financial Protection Bureau.<sup>2</sup> The primary finding was that existing and new data collections under consideration would not meet the policy needs for understanding and addressing the relevant policy issues and questions.

The FR 2028D data collection is being proposed to address the gaps in existing and planned new surveys on small business lending. In addition, other Federal Reserve reports that have been developed in recent years provide information on large nonfarm business loans. As a

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<sup>2</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1071, Subtitle G – Regulatory Improvements, Sec. 1071 – Small Business Data Collection.

result, the information used for assessing and analyzing developments in nonfarm business credit markets would be improved by combining the proposed FR 2028D data collection on the terms of small business loans with the existing reports on large business loans. For these reasons, the FR 2028A would be discontinued. The proposed final data collection for the FR 2028A would be for the May 2017 survey week.

### **Prime Rate Supplement to Survey of Terms of Lending (FR 2028S)**

The FR 2028S is completed by banks that file the FR 2028A or the FR 2028B. The prime rate, an administered rate, remains the base rate banks use to price a significant portion of the loans covered by the FR 2028A and FR 2028B.<sup>3</sup> The prime rate is by far the most common base rate used to price variable rate business and farm loans at small and medium-sized banks. Even for large borrowers and the largest banks, the prime rate is a pricing option frequently available along with market-related rates. The FR 2028S imposes little burden and the information it provides is useful in interpreting movements in rates charged on business and farm loans, especially for small loans and for loans at smaller banks. It also provides valuable information about variations in the prime-lending rate across banks, which can be considerable. The FR 2028S will be renewed without revision and will be reported by FR 2028B respondents. Information on base rates for small business loans will be included in the proposed FR 2028D.

### **Proposed Small Business Lending Survey (FR 2028D)**

The FR 2028D would collect quantitative and qualitative information that the Federal Reserve can use to monitor developments in the availability of credit to small businesses. Bank lending to small businesses is critical for employment and economic growth at the local, regional, and national levels because it is a primary source of funding for these businesses. The FR 2028D

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<sup>3</sup> The FR 2028S defines the prime rate to be, “[T]he administered rate used [by the bank] for pricing business and other credit, which [is adjusted] from time to time in response to changes in market conditions. [The] institution may set this rate internally or may adopt as its own a published rate.”

was motivated by the inability to answer basic policy questions raised by Federal Reserve policymakers on small business credit during the recent financial crisis and subsequent recovery. It would also contribute to a better understanding of the role of community banks in providing loans to small businesses and on small business access to credit in local communities. The survey would be timed to make reports on developments in small business lending available for the second FOMC meeting of each quarter. The data would also be available for Federal Reserve System economists and other staff to use for research purposes. To get a complete understanding of the availability, terms, and market conditions of bank lending to small and large nonfarm businesses, the Federal Reserve would combine the information gathered from the FR 2028D with other Federal Reserve data collections that gather information on large business loans.

The FR 2028D would improve the ability to assess and analyze developments in nonfarm small business credit markets and to answer policy questions in a timely manner. The proposed information to be collected is not available from existing or planned surveys conducted by either the private or public sectors. The survey would collect unique, quarterly quantitative and qualitative information on nonfarm small business lending that improves upon the information currently collected by the FR 2028A. The quantitative information is similar to the data in the FR 2028A, but the FR 2028D would collect quarterly amounts or average levels of the data items as opposed to individual loan information from a survey week. As a result, the quantitative information will be less costly to report and less impacted by idiosyncratic events. The qualitative questions will provide information on changes in loan demand, credit standards and terms, and credit quality of applicants and reasons for the changes. Information on the reasons for denying a small business loan application will also be collected.



The FR 2028D would also improve upon current information on outstanding loans collected on the Report of Condition and Income (FFIEC 031 and FFIEC 041, as well as the anticipated FFIEC 051; OMB No. 7100-0036) (Call Report), which collects data on loans less than a certain dollar amount rather than on loans to small businesses. The Call Report data may result in information distortions about the availability of credit to small businesses because not all small loans are made to small businesses.

The FR 2028D would collect quantitative and qualitative information on loans to small businesses from a stratified sample of 398 banking institutions. The survey will be administered at a quarterly frequency and distributed during the second month of each quarter. Survey responses would be based on loan activity over the previous quarter. Quantitative information collected would include the aggregate number and dollar amount of outstanding loans and new loans extended by banks to small businesses each quarter, as well as line-of-credit drawdowns and the average interest rate and benchmark rate. Loans are separated into two categories: term loans and lines of credit, with each category further separated into fixed rate and variable rate. Additionally, quantitative information on the number and dollar amount of small business loans with guarantees (Small Business Administration and other) would be collected, as well as information regarding loan maturity and the use of interest rate floors. The FR 2028D would also collect quantitative information on small business loan applications received and applications approved during the survey quarter, including information on applications from Low- and Moderate-Income tracts.

Qualitative information collected by the FR 2028D would include questions to gauge changes in lending terms, loan demand, and credit standards for small business loans during the

survey period.<sup>4</sup> Furthermore, respondents will be asked to identify possible reasons for indicated changes in lending terms or credit standards. The survey would also include qualitative questions on the demand for small business loans, changes in credit line usage, and changes in the credit quality of small business loan applicants. Respondents would be asked to identify potential factors underlying a reported change in applicant credit quality (e.g. credit scores, quality of collateral) and to identify top reasons for denying small business loans during the survey quarter.

*Legal authorization and confidentiality:* The Board’s Legal Division has determined that these surveys are authorized by section 11(a)(2) of the Federal Reserve Act (12 U.S.C. 248(a)(2)) and are voluntary. Individual responses reported on the FR 2028A, FR 2028B, FR 2028D, and FR 2028S are regarded as confidential under the Freedom of Information Act (5 U.S.C. 552(b)(4)).

Board of Governors of the Federal Reserve System, April 7, 2017.

**Ann E. Misback**  
*Secretary of the Board.*

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<sup>4</sup> The inclusion of qualitative questions, which are the same as those in the Senior Loan Officer Opinion Survey on Bank Lending Practices (FR 2018; OMB No. 7100-0058), is meant to supplement the existing FR 2018 data to get a more comprehensive view of the availability of credit to businesses. Importantly, the definitions of a small business are different in the FR 2018 and proposed FR 2028D. The FR 2018 covers lending to both small and large firms and defines small firms as those with annual sales of less than \$50 million, which is significantly larger than the \$5 million threshold in the FR 2028D. Furthermore, the FR 2018 panel only includes large institutions while the FR 2028D panel will be a stratified sample of 398 domestic banks and include institutions of all sizes. Therefore, not much overlap in the panels for the two data collections is expected.

